



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ENVIRONMENTAL PROTECTION AGENCY

**Financial Audit of the Water Revolving Fund for the
Year Ended: June 30, 2010 and Compliance
Examination For the Two Years Ended: June 30, 2010
Release Date: February 24, 2011**

Summary of Findings:
Total this audit: 10
Total last audit: 9
Repeated from last audit: 4

SYNOPSIS

- The Agency did not adequately maintain personnel files.
- The Agency failed to perform inspections on the release of radionuclides at nuclear power plants.
- The Agency did not have adequate controls over voucher processing.
- The Agency failed to notify the public by issuing a press release for distribution to newspapers in relation to provisional variances.

{Expenditures and Activity Measures are summarized on the reverse page.}

ENVIRONMENTAL PROTECTION AGENCY
FINANCIAL AUDIT for the Year Ended June 30, 2010 and
COMPLIANCE EXAMINATION For the Two Years Ended June 30, 2010

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 535,206,593	\$ 419,911,843	\$ 403,312,555
OPERATIONS TOTAL.....	\$ 150,462,469	\$ 154,078,464	\$ 164,624,501
% of Total Expenditures.....	28.1%	36.7%	40.8%
Personal Services.....	63,994,245	64,048,744	64,672,573
Other Payroll Costs (FICA, Retirement).....	36,258,938	31,776,304	29,607,846
All Other Operating Expenditures.....	50,209,286	58,253,416	70,344,082
AWARDS AND GRANTS.....	\$ 384,744,124	\$ 265,833,379	\$ 238,688,054
% of Total Expenditures.....	71.9%	63.3%	59.2%
Total Receipts.....	\$ 486,362,810	\$ 354,147,998	\$ 322,070,148
Average Number of Employees.....	936	969	1,016

SELECTED ACTIVITY MEASURES (Not Examined)	2010	2009	2008
CLEAN AIR			
Title V permits issued	58	57	68
Facilities inspected	992	1,084	1,408
Vehicle emission tests performed	1,758,708	1,658,466	1,477,646
CLEAN LAND			
Facility permits issued	530	742	854
Facilities inspected	4,246	5,061	4,959
Superfund constructions completed	-	2	3
State cleanup projects completed	6	2	3
Household hazardous waste collections	-	16	20
Leaking underground storage tank incidents	355	441	525
CLEAN WATER			
Permits issued	5,433	5,972	7,481
Facilities inspected	1,130	1,472	1,672
Wastewater loans	71	18	18
Drinking water loans	69	27	20

AGENCY DIRECTOR	
During Examination Period:	Douglas P. Scott
Currently:	Douglas P. Scott

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE MAINTENANCE OF EMPLOYEE
PERSONNEL FILES**

The Agency did not adequately maintain employee personnel files. During our review of 60 employee personnel files, we noted the following:

**Performance evaluations not
performed timely**

- 24 of 60 (40%) employees tested did not have performance evaluations for the evaluation period tested. The time elapsed from the employee's previous performance reviews ranged from 12 to 64 months.
- 32 of 60 (53%) employee evaluations were performed after the due date. The time elapsed from the due date to the performance review approval date ranged from one to 353 days.

**Missing W-4 cards or signed
withholding authorizations**

In addition, we also noted that seven (12%) employee files tested had either a missing Federal/Illinois W-4 card or signed withholding authorizations for credit union, college savings, or charities. (Finding 1, pages 11-12) **This finding was first reported in 1994.**

We recommended the Agency comply with internal procedures, Administrative Code rules, and prudent business practices by performing annual evaluations for all employees in a timely manner. We also recommended the Agency ensure its personnel files contain all required payroll deduction and withholding documentation and obtain the missing documents from the employees.

Agency agrees with auditors

Agency officials accepted our recommendation and stated they will continue to strive for timely completed performance evaluations. They also stated all required payroll deduction and withholding documentation found to be missing had been re-submitted by employees. (For the previous Agency response, see Digest footnote # 1).

**FAILURE TO PERFORM QUARTERLY INSPECTIONS
ON THE RELEASE OF RADIONUCLIDES AT
NUCLEAR POWER PLANTS**

The Agency, in cooperation with the Illinois Emergency Management Agency, failed to perform inspections on the release of radionuclides at nuclear power plants.

Quarterly inspections were not performed

During our testing, we noted two quarterly inspections were not made for two of the six nuclear power plants in Illinois during fiscal year 2009. In addition, quarterly inspections for the first, second and fourth quarters of fiscal year 2010 for another two of the six nuclear power plants were not made. (Finding 2, page 13)

We recommended the Agency ensure compliance with the provisions of the Act by performing the inspections of the release of radionuclides on a quarterly basis.

Agency agrees with auditors

Agency officials accepted our recommendation and stated they had added one additional staff and provided training on inspections of nuclear power plants to all staff performing these inspections. They also stated they had made direct assignments to staff for all upcoming tritium inspections, and the Field Service Operations Section manager had been directed to monitor the progress of the inspections to ensure that the Agency meets the statutory requirements.

INADEQUATE CONTROLS OVER VOUCHER PROCESSING

The Agency did not have adequate controls over voucher processing.

Some of the conditions noted during our review of vouchers follow:

Vouchers were approved late

- Fifteen of 245 (6%) vouchers tested, totaling \$108,193, were approved for payment from 1 to 24 days late.

Overpayments were made

- In three vouchers tested, overpayments were made by the Agency. Two commodities vouchers were overpaid by \$509. In addition, a purchase of vehicle parts and fittings amounting to \$2,971 was processed and paid twice by the Agency. Payments were made to both the vendor and DCMS. Subsequently, the Agency received a credit memo from DCMS to be applied to a subsequent DCMS invoice(s). (Finding 4, pages 16-17)

We recommended the Agency strengthen its controls over voucher processing to ensure accuracy and compliance with State and Agency regulations.

Agency agrees with auditors

Agency officials accepted our recommendation and stated they will continue to strengthen controls over voucher processing by insuring that procedures are reviewed and revised as necessary to ensure compliance with State and Agency regulations.

FAILURE TO NOTIFY THE PUBLIC IN GRANTING PROVISIONAL VARIANCES

Failure to notify the public of provisional variances

The Agency failed to notify the public by issuing a press release for distribution to newspapers of general circulation in relation to granting provisional variances. Provisional variances are orders that only the Agency can issue to give a petitioner very short-term relief from an environmental regulation, usually in emergency situations.

Failure to issue press releases for distribution to newspapers

We tested three of the ten (30%) provisional variances granted during the examination period and noted the Agency did not issue press releases for distribution to newspapers of general circulation in the counties where the provisional variances were sought. (Finding 6, page 20)

We recommended the Agency comply with the Act by ensuring that press releases are distributed as required.

Agency agrees with auditors

Agency officials accepted our recommendation and stated they will take steps to ensure all press releases are issued for related provisional variance requests. They further stated this compliance will be achieved through implementation of a checklist calling for such a press release when any provisional variance action is taken.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Agency. We will review the Agency's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

Our special assistant auditors stated the Water Revolving Fund Financial Statements of the Illinois Environmental Protection Agency as of and for the year ended June 30, 2010 are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:PH:pp

SPECIAL ASSISTANT AUDITORS

E.C. Ortiz & CO., LLP were our special assistant auditors.

DIGEST FOOTNOTE

**# 1 INADEQUATE MAINTENANCE OF EMPLOYEE
PERSONNEL FILES – Previous Agency Response**

2008: Accepted. The Agency continues to strive for performance evaluations to be completed timely. The Office of Human Resources continues to track performance evaluations due dates and to ensure that the appropriate manager or supervisor is aware of the need to complete reviews in a timely manner.